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**FISCAL IMPACT STATEMENT**

**LS 6603**

**BILL NUMBER:** HB 1100

**NOTE PREPARED:** Dec 28, 2012

**BILL AMENDED:**

**SUBJECT:** Pharmacy Coverage Terms.

**FIRST AUTHOR:** Rep. Davisson

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill prohibits certain requirements related to pharmaceutical coverage at a community retail pharmacy or a mail order or Internet-based pharmacy. The bill also specifies requirements that apply to terms and conditions of a contract entered into by a pharmacy to participate in a health care provider network.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Summary:* This bill could increase state expenditures for the State Employee Health Plan by approximately \$8 M per year. However, it is not known how much of the cost increase would be passed on to individuals participating in the plan through possible increases in insurance premiums.

Additionally, this bill could increase the workload of the Department of Insurance to investigate possible unfair and deceptive acts.

**Additional Information:**

*Impact on the State Employee Health Plan:* The State Personnel Department reports that currently the state employee health plan requires individuals to obtain 90-day supplies of prescription medicine from a mail order or Internet-based pharmacy. Additionally, the state employee health plan currently provides a coinsurance discount for individuals that obtain prescriptions from a mail order or Internet-based pharmacy. The State

Personnel Department reports removing these abilities would increase the expenses of the state health plan by \$8 M per year.

If this bill increases the total cost of the state employee health plan, it is not known how much of the cost increase will be borne by the state and how much will be borne by the health plan enrollees. Any increase in state expenditures will depend on how the increase in health insurance plan costs is passed on to plan participants through possible increases in insurance premiums.

*Unfair and Deceptive Acts:* This bill adds that an insurance provider who continues to pay community retail pharmacies at a rate that is less than mail order or Internet-based pharmacies commits an unfair and deceptive act. To the extent an insurance provider is alleged to have engaged in an unfair and deceptive act, this bill could increase the workload of the Department of Insurance to investigate allegations and provide adjudicative proceedings.

**Explanation of State Revenues:** *Summary:* This bill could increase state revenue received from the insurance premium tax and revenue collected from civil penalties for unfair and deceptive acts. Increases in state revenue are indeterminable.

*Additional Information:*

*Insurance Premium Tax:* The number of insurance providers who currently pay community retail pharmacies at a rate that is less than other mail order or Internet-based pharmacies is not known.

By limiting the ability of insurance providers to require insureds to obtain possibly less expensive prescription medicine from mail order or Internet-based pharmacies, this bill could increase the cost of health insurance policies in the state, which could be passed on to insureds by way of increased insurance premiums. If insurance premiums in the state increase as a result of this bill, so will state revenue received from the insurance premium tax.

The state receives tax revenue from gross premiums received by insurance companies on (1) insurance policies covering risks within the state during the year or (2) insurance policies made, written, or renewed during the year on marine or transportation risks, minus deductions for reinsurance premiums, dividends paid to resident insureds, and premiums returned. The state tax rate on insurance premiums is 1.3%. In FY 2012, the insurance premium tax accounted for approximately \$203 M to the General Fund.

*Unfair and Deceptive Acts:* If this bill increases the number of unfair and deceptive acts discovered by the Department of Insurance, revenue to the General Fund will increase from civil penalties paid by violators. The penalty for engaging in an unfair and deceptive act is one or more of the following: (1) a civil penalty between \$25,000 and \$50,000 for each act or violation and (2) revocation of a person's license or certificate of authority if they knowingly engaged in an unfair or deceptive act. Actual increases in revenue are unknown.

**Explanation of Local Expenditures:** Local government groups and local school corporations who are enrolled in the Local Unit Government Employees (LUG) health plan or purchase private group insurance could also be affected by the provisions of this bill.

If this bill increases local costs to participate in the LUG health plan or to purchase private group insurance

plans, it is not known how much of the increased costs will be borne by the local government unit and by the participating individuals.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:** Christy Tittle, SPD.

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